INFO- 2135 UDK: 338.48: 640.4:599.892.3:007
Primljeno/Received: 2014-09-22 Authors Review/Pregledni rad

TOURISM IN CROATIA: TRUTHS AND MISCONCEPTIONS

TURIZAM U REPUBLICI HRVATSKOJ – ISTINE I ZABLUDE

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Abstract
The way in which the professional community, the media and the political community in Croatia perceive the importance of tourism for the country's overall economy differs, depending on the momentary particular interests of specific segments within these communities. Most often than not, the interpretation of achievements in tourism comes down to presenting physical-traffic data (number of tourist arrivals and overnights) and, with the exception of overall tourism-generated foreign exchange inflows, only rarely are attempts made to provide an analytical interpretation of the financial effects of tourism. Because of the lack of other positive economic effects, tourism is often unjustifiably and undeservingly placed in the focus of the public. Althoughtourism generates very small financial assets, its contribution to the GDP is fairly significant, and this fact only adds to creating an incomplete picture of the actual role and importance of tourism in the Croatian economy. The need to set that picture straight was the primary motivation behind research in this paper, which set outs, by analysing physical and financial indicators, to debunk misconceptions and establish the truths about the real characteristics of the tourism offering and the effects of tourist demand in Croatia. The paper proceeds from the hypothesis that tourism, with all its complementary effects on employment, the exportation of services, the food industry, traffic, and intermediation activities in hospitality and tourism, is indeed important for Croatia's economy, but nowhere close to the level of importance attributed to tourism by media coverage.

Sažetak
Percepcija stručne, medijske i političke javnosti u Hrvatskoj o značenju turizma za njezino cjelokupno gospodarstvo različita je, u ovisnosti od privremenih partikularnih interesa određenog segmenta tih javnosti. Najčešća metoda interpretacije turističkih postignuća svodi se na iznošenje podataka o ostvarenom fizičkom prometu (broju turističkih dolazaka i broju ostvarenih noćenja) a vrlo rijetko se, osim ukupnog deviznog priljeva od turizma, analitički interpretiraju podaci o ostvarenim financijskim efektima turizma. U nedostatku drugih pozitivnih gospodarskih efekata, turizam je često neopravdano i nezasluženo u fokusu javnosti jer generira apsolutno malo financijskih sredstava ali relativno značajno sudjeluje u bruto društvenom proizvodu, što doprinosi stvaranju nepotpune slike o stvarnoj ulozi i značenju turizma za gospodarstvo Hrvatske. To je bio temeljni motiv za istraživanja u ovom radu, u kojem se kroz pregled fizičkih i financijskih pokazatelja pokušavaju otkloniti zablude i utvrditi istine o stvarnim karakteristikama turističke ponude i efektima od turističke potražnje u Republici Hrvatskoj. U radu se polazi od hipoteze da je turizam značajna djelatnost za gospodarstvo Hrvatske, sa svim svojim komplementarnim učincima, na zaposlenost, izvoz usluga, potrošnju, prehrambenu industriju, promet, ugostiteljstvo i turističko posredovanje ali niti približno s tolikim značajem, koliko joj se neopravdano poklanja medijska pozornost.

1. INTRODUCTION

When the Republic of Croatia became a full member of the European Union in 2013, it achieved a long-awaited political and economic goal, which, while failing to immediately improve the country's economy as expected, did help in promoting Croatia and Croatian tourism. /**1**/ Whether resulting from media coverage of the EU accession or not, the 2013 tourist season proved to be very successful with a record-breaking number of overnights (64.8 million) and tourist arrivals (12.8 million), an increase of more than two million overnights relative to 2012.

Although no conclusive or ultimate truths can be said about biases in tourism, even the beginning of research into these biases provides interesting insight and food for thought. Several misconceptions, whichhave become deeply embedded in tourism thinking, have plagued Croatia since its independence in 1991, the most important being the following:

1. The privatization of the hospitality and tourism portfolio was carried out under equal conditions for all involved.*The result of an unfair and rash privatization process was, and still is, the formation of monopolistic competition, which can never be good for tourism, including the Croatian hotel industry*. /**2**/
2. Foreign managers will teach domestic managers how to perform successfully. *Over the past twenty years, several hundred foreign managers have paraded through Croatia, without leaving any significant imprint of Croatian tourism*.
3. Information and communication technology (ICT) will help streamline business operations, leaving more time to deal with guests.*Excessive ICT implementation first led to depersonalisation and in a later phase to the dehumanisation of the hospitality and tourism profession. Increased ICT usage has resulted in a decrease in the number of workers (which is normal and reasonable) who have to work more and longer (which is neither normal nor reasonable for tourism*).
4. Workers in tourism will be hospitable and friendly even though they are poorly paid.*The nett salary of tourism and hospitality workers is 15% less than the average salary in the Croatian economy. This is why pupils show little interest in education in this profession in which they would have to spend their entire working life*.
5. There is no use for workers over the age of 45.*Workers over the age of 45 are a burden to employers because (according to the employers) they are not capable of doing their jobs which require them to be at the workplace from 10 to 14 hours each day*.

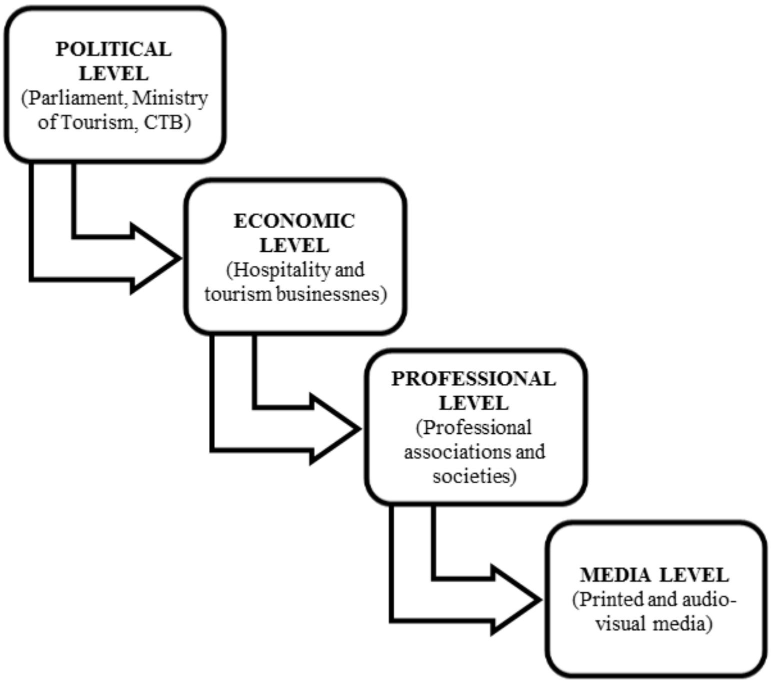
By providing a detailed analysis of physical and financial data regarding tourism performance in Croatia, this paper seeks to adequately support the arguments advanced to clear up the above misconceptions.

2. THE PERCEPTION OF TOURISM IN CROATIA

The perception of tourism in Croatia can be examined through the perspective of several different interest groups and levels (Figure 1). These are the:

1. political,
2. economic,
3. professional and
4. media levels.

Figure 1: **Levels and participants in the perception of tourism in Croatia**



1. The first level has a **political** character, because Croatia's tourism policy is carried out by the Ministry of Tourism, which delegates a part of that policy to the national tourism organization, which, in Croatia, is the Croatian National Tourist Board. To ensure the tourism policy is efficiently carried out, the people in charge are required to possess certain skills and specific experience in addition to formal qualifications. In the 24 years of Croatia's independence, there have been 11 ministers of tourism, a fact that leads to the conclusion that an average of two years is not time enough for a tourism policy to be efficiently executed. On the other hand, of the 11 ministers only four came from the tourism industry while the remaining seven did not have the required skills or experience needed although they did hold a political position (the leaders of the Ministry of tourism – the minister, deputy minister and aids – are chosen from the ranks of the political election winners). In the period of tourism development since Croatia's independence, many mistakes have been made in the country's tourism policy, accompanied by a general lack of understanding about what a tourism policy must take into consideration /**3**/. At this political level, tourism is perceived as a highly important industry that can help, or even save, the Croatian economy, and most of the external manifestations come down to interpreting physical tourist traffic (the number of tourist arrivals and overnights realized). Tourism has become more or less politicized, resulting in the manic daily counting of the number of vehicles and guests on the roads during the main tourist season. Many statements and media reports are the outcome of a climate that is intentionally sustained through politics, because tourism has always served politicians as a factor of optimism. In addition, the Ministry of Tourism does not have an especially important role or power within the overall structure of the Croatian Government, which is needed if it is to take all vital tourism processes in its own hands and manage them professionally.
2. The second is the **economic** level, comprising members of the real hospitality and tourism sector, all those who actually live, create and make a living in tourism. These are hoteliers, restaurateurs, travel agencies and all others who create new value and whose businesses help to settle the consi-

derable expenses of the State, upon whose activities they largely depend.

3. The third is the **professional** level, made up of professional associations of hospitality and tourism providers (Association of Employers in Croatian Hospitality, the Croatian Camping Association, Croatian Youth Hostel Association, Guild of Caterers and Tourism Workers of the Croatian Chamber of Trades and Crafts, Croatian Culinary Federation, Association of Croatian Travel Agencies, and others), which are most often dependent associations because their operation frequently depends on financial aid from the Ministry of Tourism. In such conditions, it is difficult to expect these professional associations will raise their voice against the Ministries in cases when they adopt legal measures the associations' members are not happy with.
4. Last but not least is the **media** level. Working in the printed and audio-visual media that, among other things, cover tourism, there are often people who simply do not know how to realistically report on what is actually happening in Croatian tourism. Hence they are incapable of helping the tourism industry in any why, although this could clearly be rectified by taking a different approach. Their action affects the formation of public opinion about the successes and failures in tourism. However, biased reporting and writing about tourism creates an unreal and subjective picture of the importance of tourism and its actual results. Facts show that the media are more inclined towards the sensationalist and adverse sides of tourism than towards an unbiased analysis of real effects and issues of tourism as a highly complex industry. The media are also tend to glamourize some sections of the hospitality and tourism industry, showing only contents that could boost viewer ratings (for example, television shows about gastronomy) or increase print runs, with no desire to truthfully report on real issues within the industry. This fact applies to both public and other commercial broadcasting companies at the national or local level.

3. TOURIST TRAFFIC IN CROATIA AND WORLDWIDE

To better understanding of the effects of tourism in Croatia and position Croatia's tourism more realistically within the tourist traffic of Europe and the World, this chapter looks at the most important achievements of tourism.

One of the leading world industries (alongside food production and processing, the pharmaceutical industry, the car industry and the production of petroleum and chemical products), tourism recorded more than one billion foreign tourist arrivals for the first time in its history in 2013 (Table 1). The United Nations World Tourism Organisation (UNWTO) estimates that by 2030 this number could be as high as 1.8 billion.

Out of the total world tourist traffic, Croatia accounts for 1% of the total number of tourist arrivals, while in the European tourist traffic, it accounts for 1.9% of all registered foreign tourist arrivals. With regards to foreign exchange inflow – that is, registered tourist spending – Croatia accounts for identical relative shares.

Table 1: **Foreign tourist arrivals and tourism receipts in 2013**

	World	*Europe*	*% of Europe in World*	*Croatia*	*% of Croatia in World*	*% of Croatia in Europe*
International Tourist Arrivals (mln)	1,087	563.4	51.8%	10.955	1.00%	1.90%
International Tourism Receipts (bln euro)	873	368.4	42.2%	7.141	0.82%	2.00%
Revenue/Tourist Arrival (euro)	800	650		652		

Source: UNWTO highlights 2014, www.unwto.org

As Table 1 indicates, Croatia can hardly be called a tourism super-power because it accounts for 1.9% and 1% of total tourist arrivals in Europe and the World,respectively, and 2% and 0.82% of international tourism receipts in Europe and the World, respectively.

When Croatia's tourism performance is compared with that of other relevant European tourist countries (Table 2), it can be concluded that Croatia ranks 12th by the number of foreign tourist arrivals (physical traffic) and 15th by international tourism receipts (financial traffic).

Table 2: **Countries by international tourist arrivals and international receipts in 2013**

Rank	*Country*	*International Tourist Arrivals (mln)*	*%*	*Rank*	*Country*	*International Tourism Receipts (mln $)*	*%*
1.	France	83.013	15.5	1.	Spain	60,435	12.4
2.	Spain	60.601	10.8	2.	France	56,098	11.5
3.	Italy	47.404	8.5	3.	Italy	43,912	9.0
4.	Turkey	37.795	6.7	4.	Germany	41,211	8.4
5.	Germany	31.545	5.6	5.	United Kingdom	40,597	8.3
6.	United Kingdom	31.169	5.5	6.	Turkey	27,997	5.7
7.	Austria	24.813	4.4	7.	Austria	20,106	4.1
8.	Ukraine	24.671	4.4	8.	Switzerland	16,547	3.4
9.	Greece	17.923	3.2	9.	Greece	15,930	3.3
10.	Poland	15.845	2.8	10.	Netherlands	15,580	3.2
11.	Netherlands	12.797	2.3	11.	Belgium	13,500	2.8
12.	**Croatia**	**10.955**	**1.9**	12.	Portugal	12,284	2.5
				13.	Sweden	11,485	2.3
				14.	Poland	10,938	2.2
				15.	**Croatia**	**9,555**	**2.0**

Source: UNWTO highlights 2014, www.unwto.org

Viewing tourist traffic in 2013 relative to that of 2000 shows that Croatia achieved a 74% increase in tourist arrivals, a 65% increase in overnights, and a 14% increase in employee numbers (10,229 new jobs were created). These data speak in favour of the claim that tourism is important for Croatia's overall economy, as do the data on foreign exchange inflow generated by tourism (Table 3).

Table 3: **Tourism-generated foreign exchange inflow in Croatia (1999-2013)**

Year	*Foreign exchange inflow (bln euros)*	*Base index (2008 = 100)*
1999	2.350	31.5
2000	3.010	43.3
2001	3.750	50.3
2002	3.960	53.1
2003	5.570	74.7
2004	5.510	73.9
2005	6.000	80.4
2006	6.290	84.3
2007	6.750	90.5
2008	**7.460**	**100**
2009	6.380	85.5
2010	6.240	86.8
2011	6.590	91.7
2012	6.830	95.0
2013	7.188	96.3

Source: Croatian National Bank

Because 2008 was a record-setting year in foreign exchange inflow, all indexes in Table 4 have been adjusted to that year to ensure comparability. Table 4 indicates that although the number of tourist arrivals and overnights continued to grow year after year from 2008 on, the foreign exchange inflow per tourist arrival and per overnight has been dropping. This fact is a kind of wake-up call to Croatian tourism,signalling the need for a comprehensive analysis of the reasons for such a downward trend.

As a comparison, while there were 10.5% more tourist arrivals and 17.9% more overnights in 2013 than in 2008, there were 14.9% fewereuros spent per arrival and 25.4% fewereuros spent per overnight in 2013. Ultimately, in 2013, foreign exchangeinflow was lower by 3.7% (or EUR 272 million less) relative to the record-setting year of 2008 (Table 4).

Table 4: **Spending per tourist arrival and night (1999 – 2013)**

Year	*Number of tourist arrivals ('000)*	*Base index (2008 = 100)*	*Number of overnights ('000)*	*Base index (2008 = 100)*	*Euro/arrival*	*Base index (2008 = 100)*	*Euro/overnight*	*Base index (2008 = 100)*
1999	5,127	45.5	21,885	43.2	458.3	69.2	86.6	66.3
2000	7,137	63.4	34,045	67.2	421.7	63.6	76.8	58.8
2001	7,860	69.8	38,384	75.8	477.1	72	86.4	66.1
2002	8,320	73.9	39,711	78.4	476	71.8	88.6	67.8
2003	8,878	78.9	41,323	81.6	627.9	94.8	119.4	91.4
2004	9,412	83.6	42,516	84.0	585.4	88.4	115.3	88.3
2005	9,995	88.7	45,987	90.8	600.3	90.6	116.7	89.3
2006	10,385	92.2	47,022	92.9	605.7	91.4	118.7	90.9
2007	11,162	99.1	49,574	97.9	604.7	91.3	120.5	92.3
2008	**11,261**	**100**	**50,625**	**100**	**662.5**	**100**	**130.6**	**100**
2009	10,935	97.1	50,501	99.7	583.5	88.1	113.3	86.7
2010	10,604	94.2	50,992	100.7	588.4	88.8	110.6	84.7
2011	11,456	101.7	54,751	108.1	575.3	86.8	109.2	83.6
2012	11,835	105.1	57,522	113.6	577.1	87.1	108.8	83.3
2013	12,441	110.5	59,688	117.9	569.4	85.9	97.5	74.6

Source: Statistical Yearbook of the Republic of Croatia, Croatian Bureau of Statistics, Zagreb, 2013 and the Croatian Ministry of Tourism,www.mint.hr.

By putting things in perspective and comparing country size and population to tourist numbers, a much clearer picture emerges regarding the tourism performance of a country. Based on data according to this criterion (Table 5), it is clear that Croatia is ranked in high 4th place with regard to physical traffic, that is, the number of tourists per inhabitant. Viewed from the aspect of tourism receipts per inhabitant, Croatia is also ranked high on the list at 6th place.

Table 5: **Number of tourists per inhabitant and tourism receipts per inhabitant in 2013**

Rank	Country	Number of tourists per resident	Rank	Country	Tourism receipts per inhabitant(in $)
1.	Malta	3.90	1.	Luxembourg	9,434.6
2.	Austria	2.95	2.	Malta	3,449.1
3.	Iceland	2.54	3.	Iceland	3,312.9
4.	**Croatia**	**2.46**	4.	Cyprus	2,645.4
5.	Cyprus	2.18	5.	Austria	2,389.0

6.	Montenegro	2.09	**6.**	**Croatia**	**2,144.2**
7.	Luxembourg	1.77	7.	Switzerland	2,070.5
8.	Greece	1.66	8.	Greece	1,476.7
9.	Ireland	1.65	9.	Montenegro	1,392.3
10.	Estonia	1.54	10.	Slovenia	1,356.1
11.	Denmark	1.45	11.	Spain	1,314.1
12.	Spain	1.32	12.	Estonia	1,281.6
13.	France	1.31	13.	Denmark	1,251.1
14.	Sweden	1.18	14.	Sweden	1,238.1
15.	Switzerland	1.12	15.	Belgium	1,218.7

Source: UNWTO highlights 2014, www.unwto.org

4. BASIC FEATURES OF CROATIA'S TOURISM OFFERING

In 2013, Croatia continued to increase its physical traffic and financial turnover in the tourism industry, thus reinforcing its position on existing markets and striving to achieve the goals set out by the Croatian Strategy for Tourism Development by 2020 /**4**/.To accomplish these, Croatia intends to use all tools available to it as a full member of the European Union.

The growing figures of tourist arrivals and overnights are evidence of the upward and distinctive development trend of the Croatian tourism product, from the aspect of building the competitiveness of human resources and the offering, as well as from the perspective of intensified promotion through the implementation of new technologies, smart specialisations and innovations to achieve sustainable development.

As relevant considerations for exploitation in tourism purposes, Croatia has seven world heritage monuments and 12 elements of world intangible cultural heritage under UNESCO protection. In addition to the tangible and intangible heritage protected by UNESCO, Croatia also had 431 protected nature areas, covering a total of 7,183.46 km^2, in 2013.

Data in Table 6 present Croatia's total accommodation facilities (number of rooms and beds) and physical traffic realized (number of tourist arrivals and overnights) in the period 1987 – 2013. This timeframe has been taken with the aim of providing a more realistic assessment of tourism development in Croatia.

Table 6: **Accommodation facilities and physical tourist traffic in Croatia, 1978 – 2013**

Year	*Number of rooms*	*Number of beds*	*Number of tourist arrivals ('000)*			*Number of overnights ('000)*		
			Total	*Domestic*	*Foreign*	*Total*	*Domestic*	*Foreign*
1978	257,108	646,824	7,851	1,610	6,241	49,389	7,922	41,467
1979	262,759	669,302	7,912	1,620	6,292	52,117	8,373	43,744
1980	268,690	692,000	7,929	1,486	6,443	53,600	7,750	45,850
1981	282,205	728,452	8,333	1,513	6,820	56,573	7,715	48,858
1982	302,084	769,422	8,042	1,620	6,422	54,436	8,315	46,121
1983	300,452	774,517	8,268	1,753	6,515	54,632	8,541	46,091
1984	309,930	800,121	9,146	1,778	7,368	59,465	8,527	50,938
1985	312,965	820,251	10,125	1,790	8,335	67,665	8,790	58,875
1986	323,912	849,334	10,151	1,767	8,384	68,216	8,836	59,380
1987	338,085	885,770	10,487	1,732	8,756	68,160	8,397	59,763
1988	355,449	926,349	10,354	1,661	8,693	67,298	7,946	59,352
1989	348,971	922,845	9,670	1,580	8,090	61,849	7,383	54,466
1990	322,983	862,680	8,497	1,448	7,049	52,523	6,747	45,776
1991	232,584	632,050	2,297	809	1,488	10,471	3,409	7,062
1992	210,499	576,220	2,135	746	1,389	11,005	3,190	7,815
1993	223,745	609,965	2,514	851	1,663	13,208	3,168	10,040

1994	254,653	661,902	3,655	1,127	2,528	20,377	4,450	15,927
1995	249,905	649,258	2,610	1,125	1,485	13,151	4,388	8,763
1996	259,242	688,310	4,186	1,271	2,915	21,860	4,941	16,919
1997	276,616	725,194	5,585	1,407	4,178	30,775	5,661	25,114
1998	291,259	773,149	5,852	1,353	4,499	31,852	5,307	26,545
1999	271,854	719,919	5,127	1,322	3,805	27,126	5,241	21,885
2000	282,921	759,057	7,137	1,305	5,832	39,183	5,138	34,045
2001	289,388	786,027	7,860	1,316	6,544	43,405	5,021	38,384
2002	282,900	804,436	8,320	1,376	6,944	44,692	4,981	39,711
2003	291,904	840,706	8,878	1,469	7,409	46,635	5,312	41,323
2004	299,669	871,178	9,412	1,500	7,912	47,797	5,281	42,516
2005	312,751	909,210	9,995	1,528	8,467	51,421	5,434	45,987
2006	304,022	925,882	10,385	1,726	8,659	53,007	5,985	47,022
2007	326,792	944,076	11,162	1,856	9,306	56,005	6,431	49,574
2008	332,060	968,610	11,261	1,846	9,415	57,103	6,478	50,625
2009	333,237	969,726	10,935	1,600	9,335	56,300	5,799	50,501
2010	315,864	909,951	10,604	1,493	9,111	56,416	5,424	50,992
2011	321,417	934,564	11,456	1,529	9,927	60,354	5,603	54,751
2012	321,417	934,564	11,835	1,465	10,369	62,743	5,220	57,522
2013	321,417	925,773	12,441	1,486	10,955	64,827	5,139	59,688

Source: Statistical Yearbook of the Republic of Croatia (various years), Croatian Bureau of Statistics, Zagreb.

An analysis of data in Table 6 reveals that Croatia has not yet reached the number of overnights in the record-setting year of 1986, while the record number of tourist arrivals in 1987 was broken as late as 2007. Concerning accommodation facilities, Croatia had decreased room numbers in 2013 than in the record year of 1988, and in 2013 it also had decreased bed numbers than in 1988. These data lead to the conclusion that accommodation facilities have not been growing in quantitative terms, which does not necessarily have to be a negative fact, depending on how high their occupancy rates are (at the annual level).

To understand this, it is necessary to analyse data presented in Table 7.

Table 7: **Number of overnights, beds, average number of overnights per bed and occupancy rates, 1978 – 2013**

Year	*Number of overnights (000)*	*Number of beds*	*Average number of overnights per bed*	*Number of possible overnights*	*Annual occupancy rate (%)*
1	*2*	*3*	*4 (2:3)*	*5 (3 x 365)*	*6 (5:2 x 100)*
1978	49,389	646,824	76.3	236,090,760	20.9
1979	52,117	669,302	77.9	244,295,230	21.3
1980	53,600	692,000	77.4	252,580,000	21.2
1981	56,573	728,452	77.7	265,884,980	21.3
1982	54,436	769,422	70.7	280,839,030	19.4
1983	54,632	774,517	70.5	282,698,705	19.3
1984	59,465	800,121	74.3	292,044,165	20.4
1985	67,665	820,251	82.5	299,392,615	22.8
1986	68,216	849,334	80.3	310,006,910	22.0
1987	68,160	885,770	76.9	323,306,050	21.1
1988	67,298	926,349	72.6	338,117,385	19.9
1989	61,849	922,845	67.0	336,838,475	18.4
1990	52,523	862,680	60.9	314,878,200	16.7
1991	10,471	632,050	16.6	230,698,250	4.5
1992	11,005	576,220	19.1	210,320,300	5.2
1993	13,208	609,965	21.6	222,637,225	5.9
1994	20,377	661,902	30.8	241,594,230	8.4
1995	13,151	649,258	20.2	236,979,170	5.5

1996	21,860	688,310	31.7	251,233,150	8.7
1997	30,775	725,194	42.4	264,695,810	11.6
1998	31,852	773,149	41.1	282,199,385	11.3
1999	27,126	719,919	37.7	262,770,435	10.3
2000	39,183	759,057	51.6	277,055,805	14.1
2001	43,405	786,027	55.2	286,899,855	15.1
2002	44,692	804,436	55.5	293,619,140	15.2
2003	46,635	840,706	55.5	306,857,690	15.2
2004	47,797	871,178	54.9	317,979,970	15.0
2005	51,421	909,210	56.5	331,861,650	15.5
2006	53,007	925,882	57.2	337,946,930	15.7
2007	56,005	944,076	59.3	344,587,740	16.2
2008	57,103	968,610	58.9	353,542,650	16.1
2009	56,300	969,726	58.0	353,949,990	15.9
2010	56,416	909,951	62.0	332,132,115	17.0
2011	60,354	934,564	64.6	341,115,860	17.7
2012	62,743	934,564	67.1	341,115,860	18.4
2013	64,827	925,773	70.0	337,907,145	19.2

Source: Statistical Yearbook of the Republic of Croatia (various years), Croatian Bureau of Statistics, Zagreb.

As shown in the above table, the occupancy rate of accommodation facilities is very modest at the annual level, minimising the overall effects of Croatian tourism. This fact is supported by the comparative overviews with other competitive tourist receiving countries presented in Tables 8, 9 and 10:

a) Occupancy rates,
b) Average daily rate and
c) Revenue per available room.

Table 8: **Occupancy rates**

	Country	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	Average Σ
1.	France	64.5	66.4	69.2	71.8	70.4	66.0	68.0	68.4	67.7	67.3	67.7
2.	Italy	60.3	61.9	63.4	62.4	57.3	53.8	57.5	59.7	58.5	60.8	60.7
3.	Spain	65	66.2	66	67.2	63	57.1	61.8	65.4	64	65.6	65.4
4.	Greece	57.9	60.3	65.1	65.8	63.8	58.9	55	56.2	54.8	57.3	60.5
5.	Turkey	61.8	67.2	63.7	66.8	62.9	57.6	64.8	64.3	64.7	62.9	61.6
6.	**Croatia**	**-**	**43.8**	**55.9**	**54.8**	**54.5**	**47.1**	**47.7**	**49.6**	**49.3**	**45.6**	**48.9**

Source: European Hotel Industry Performance, Vol. 14, Issue EU6, STR Global, European Hotel Review, London, 2014,p. 5.

As shown in Table 3, the average occupancy rate in Croatia is considerably lower than that in competitor countries. Notably, relative to 2006, it dropped by as much as 5.9%.

Table 9: **Average Daily Rate (ADR)[5]in euros**

	Country	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	Average Σ
1.	France	132.5	132.1	136.5	147.2	151.8	140.3	146.5	156.0	161.7	167.4	143.9
2.	Italy	143.6	138.7	139.1	146.1	135.7	124.4	122.3	125.2	125.7	126.8	137.4
3.	Spain	80.1	82.5	88.1	93.3	93.5	83.6	82.8	83.0	85.0	87.3	89.0
4.	Greece	155.12	131.2	113.2	106.3	114.5	105.8	104.2	107.7	98.7	101	115.9
5.	Turkey	44.9	50.3	62.0	64.7	80.1	80.4	73.0	93.5	94.2	100.5	65.3
6.	**Croatia**	**-**	**93.4**	**78.8**	**91.5**	**79.4**	**80.7**	**87.5**	**93.2**	**90.8**	**99.3**	**88.3**

Source: European Hotel Industry Performance, Vol. 14, Issue EU6, STR Global, European Hotel Review, London, 2014,p. 5.

[5] ***Average Daily Rate***(*ADR) = Daily Room Revenue / Daily Rooms Occupied*

The Average Daily Rate, which is lower in Croatia than in other competitor tourist countries (with the exception of Turkey), leads to conclusions concerning the structure of guests (low purchasing power) and the structure of accommodation facilities (camping sites and private accommodation facilities with low average rates).

Table 10:**Revenue per Available Room(RevPAR)[6] in euros**

	Country	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	Average Σ
1.	France	85.5	87.7	94.4	105.6	106.9	92.6	99.6	106.7	109.5	112.7	97.3
2.	Italy	87.7	86.0	88.3	91.2	77.8	67.0	70.4	74.7	73.4	77.1	83.4
3.	Spain	52.0	54.6	58.1	62.7	58.9	47.8	51.2	54.3	54.4	57.3	58.2
4.	Greece	89.8	79.1	73.7	69.9	73.1	62.3	57.3	60.5	54.1	57.8	70.0
5.	Turkey	27.7	33.8	39.5	43.2	46.3	47.3	47.3	60.1	60.9	63.3	40.2
6.	**Croatia**	**-**	**40.9**	**44.0**	**50.1**	**43.2**	**38.0**	**41.7**	**46.2**	**44.77**	**45.2**	**43.2**

Source: European Hotel Industry Performance, Vol. 14, Issue EU6, STR Global, European Hotel Review, London, 2014,p. 5.

Consequently, low occupancy rates and low ADR result in Revenue per Available Room that is lower than in other competitor countries (with the exception of Turkey).

The adverse structure of accommodation facilities is one of the primary reasons behind low occupancy rate and pronounced seasonality in the tourism industry. As illustrated in Table 11, the major portion of beds is within the segment of private accommodation facilities and camping sites; these are facilities that operate exclusively in summer months. Especially prominent is the issue of the operation of private accommodation facilities, which is disorganized and provides opportunities for "grey economy" as a result of middle class members wanting to capitalize on their real-estate and generate a second source of income /**5**/.

Table 11: **Number and structure of beds by type of facility (as of 31 August 2013)**

Type of facility	*Number of beds*	%
Private rooms	416,991	45.04
Campsites and small camps	239,424	25.86
Hotels and apartment hotels	132,755	14.34
Other	87,523	9.45
Tourist resorts	29,842	3.22
Hostels	8,907	0.96
Vacation facilities	4,113	0.44
Uncategorised facilities	3,725	0.40
Spas	2,493	0.27
TOTAL	**925,773**	**100.00**

Source: Croatian Ministry of Tourism, Tourism in Figures 2013, Zagreb, 2014.

[6]***Revenue per Available Room*** *(RevPAR) = % Occupied Rooms x Average Daily Rate (ADR)*

Consequently, fully 55.2% of tourist arrivals and 59.7% of overnights are realized in private accommodation and camping sites (Table 12). On the other hand, hotels, accounting for as little as 14.3% in the structure of accommodation facilities realize 38.9% and 25.8% of tourist arrivals and overnights, respectively.

Table 12: **Tourist arrivals and overnights by type of facility in 2013**

Type of facility	*Tourist arrivals ('000)*	*%*	*Tourist overnights ('000)*	*%*	*Average number of overnights per arrival*	*Average number of overnights per bed*
Hotels and hotel apartments	4,842	38.9	16,751	25.8	3.5	130
Private rooms	3,167	25.5	22,132	34.1	7.0	55
Campsites and small camps	2,445	19.7	16,622	25.6	6.8	73
Other	1,042	8.4	4,147	6.4	4.0	73
Tourist resorts	413	3.3	2,609	4.0	6.3	90
Hostels	233	1.9	650	1.0	2.8	93
Holiday flats	200	1.6	1,332	2.1	6.7	78
Uncategorised facilities	35	0.3	208	0.3	5.9	42
Vacation facilities	33	0.3	178	0.3	5.4	36
Spas	31	0.2	199	0.3	6.4	66
TOTAL	**12,441**	**100.0**	**64,828**	**100.0**	**5.2**	**74**

Source: Croatian Ministry of Tourism, Tourism in Figures 2013, Zagreb, 2014.

Looking at the number of overnights per bed, the average number of 74 overnights is clearly an indicator of the perpetual wish to prolong the tourist season, in both the pre-season and the post-season. For years now, however, this objective has not moved farther than the declarative level, as demonstrated by the above data.

Hotels are the most representative facilities, possessing all the pre-conditions needed for year-round operations. However their number and structure at present fail to meet the desired category structure because there are still a large number of 2-star hotels (Table 13).

Table 13: **Number of beds in hotels by category (as of 31 October 2013)**

Hotel category	*Number of hotels*	*%*	*Number of accommodation units*	*%*	*Number of beds*	*%*	*Average size of hotel*	
							Number of rooms	*Number of beds*
*****	31	5.01	5,144	9.50	9,806	9.41	165.9	316.3
****	201	32.47	20,485	37.85	38,306	36.74	101.9	190.5
***	307	49.60	21,378	39.50	42,037	40.32	69.6	136.9
**	80	12.92	7,115	13.15	14,104	13.53	88.9	176.3
Total:	**619**	**100.00**	**54,122**	**100.00**	**104,253**	**100.00**	**87.4**	**168.4**

Source: Croatian Ministry of Tourism, Tourism in Figures 2013, Zagreb, 2014.

The spatial distribution of accommodation facilities leads to the conclusion that more than 90% of facilities are located along the sea coast and, as a result, business operations are limited to summer months (Table 14).

Table 14: **Number of beds, tourist arrivals and overnights by type of tourist localities (as of 31 August 2013)**

Type of tourist locality	*Number of beds*	*%*	*Number of tourist arrivals*	*%*	*Number of overnights*	*%*

			(000)		*(000)*	
Coastal localities	851,405	91.84	10,386	83.6	60,028	92.7
Seaside resorts	4,949	0.53	118	0.9	358	0.6
Mountains	9,690	1.05	320	2.6	511	0.8
Other tourist and non-tourist localities	46,921	5.06	817	6.6	2,524	3.9
Zagreb (capital city)	14,124	1.52	789	6.3	1,334	2.1
TOTAL	**925,773**	**100.00**	**12,430**	**100.0**	**64,755**	**100.0**

Source: Croatian Ministry of Tourism, Tourism in Figures 2013, Zagreb, 2014.

Territorially, Croatia is divided into 20 counties and the City of Zagreb, the country's capital. As Table 15 shows, the greatest number of beds is located in the seven Adriatic counties and in the City of Zagreb.

Table 15: **Number of beds by county (as of 31 August 2013)**

County	*Number of beds*	*%*	*Number of beds in hotels*	*%*
13 continental counties	21,498	2.32	6,772	5.17
City of Zagreb	14,124	1.52	7,249	5.53
13 continental counties and the City of Zagreb	35,622	3.85	14,021	10.70
7 Adriatic counties	890,151	96.15	116,983	89.30
7 Adriatic counties and the City of Zagreb	904,275	97.68	124,232	94.83
TOTAL	**925,773**	**100.0**	**131,004**	**100.0**

Source: Croatian Ministry of Tourism, Tourism in Figures 2013, Zagreb, 2014.

In 2013 the Adriatic counties and the City of Zagreb accounted for no less than 94.95% of tourist arrivals and 98.02% of overnights (Table 16). This devastating fact qualifies the continental part of Croatia as an area in which a negligible amount of tourist traffic takes place in limited and minor accommodation facilities.

These facts open up the question of whether areas that have the most tourists should be the ones to receive the most funding for promotional purposes. Why should funding not go to those who have yet to become successful? Since investments in seaside tourism have been made for a long number of years, and people have now begun to realize that there is more to Croatia than just the coast, it is reasonable to ask what needs to be done to ensure that the inland regions can achieve at least a fraction of what others already have. It should be pointed out that continental Croatia is an area in which tourist traffic could be organized and maintained throughout the entire year, unlike the Adriatic part where tourism can simply come to a standstill due to adverse weather conditions, which are becoming increasingly frequent, and due traffic congestion.

Table 16: **Tourist arrivals and overnights, surface area and population size by county in 2013**

County	*Number of tourist arrivals ('000)*	*%*	*Number of overnights ('000)*	*%*	*Surface area (km²)*	*%*	*Population size (in 2011)*	*%*
13 continental counties	628	5.05	1,285	1.98	31,248	55.22	2,082,937	48.61
City of Zagreb	877	7.05	1,452	2.24	641	1.13	790,017	18.44
13 continental counties and the	1,505	12.10	2,737	4.22	31,889	56.35		67.05

City of Zagreb								
7 Adriatic counties	10,937	87.90	62,091	95.78	24,705	43.65	1,411,935	32.95
7 Adriatic counties and the City of Zagreb	11,814	94.95	63,543	98.02	25,346	44.78	2,201,952	51.39
TOTAL	**12,442**	**100.00**	**64,828**	**100.00**	**56,594**	**100.00**	**4,284,889**	**100.00**

Source: Croatian Ministry of Tourism, Tourism in Figures 2013, Zagreb, 2014 and Statistical Yearbook of the Republic of Croatia, Croatian Bureau of Statistics, Zagreb, 2013.

Data regarding the number of secondary vocational training schools for professions in tourism and catering can serve as a kind of paradox as well as a possible determinant of future trends in tourism and catering staff.

Namely, Croatia has a huge number of secondary vocational schools, as many as 91. Of these, 17 are specialised secondary schools (catering, catering and tourism, hotels and tourism), while 74 are general secondary vocational schools. About 5,000 pupils are expected to enrol in these schools each academic year. However, this planned enrolment is not fully achieved. Three types of programmes are organised in the schools:

a) Four-year programmes (for hotel and tourism technician, tourismand hotel sales officer, and agri-tourism technician)
b) Three-year programmes (for waiter, chef and pastry chef)
c) Two-year programmes (for assistant waiter, assistant chef and assistant pastry chef).

As stated earlier, the major part of tourist traffic in Croatia takes place in the Adriatic counties (and the City of Zagreb). However, most secondary vocational schools are located in continental counties (Table 17).

Table 17: **Number of vocational schools and pupils by county in 2013 (%)**

County	*Number of beds*	*Number of tourist arrivals*	*Number of overnights*	*Number of secondary vocational schools*	*Number of pupils in secondary vocational schools*
13 continental counties	2.32	5.05	1.98	53.03	51.38
7 Adriatic counties and the City of Zagreb	97.68	94.95	98.02	46.92	48.62
TOTAL	**100.0**	**100.0**	**100.00**	**100.00**	**100.00**

Source: Croatian Ministry of Tourism, Tourism in Figures 2013, Zagreb, 2014 and the Ministry of Science, Education and Sports, www.mzos.hrandwww.skole.hr.

The migration of the work force from the continental parts of Croatia to the Adriatic coast, most likely only for seasonal jobs, will be the long-term effect of this disproportion between tourist traffic realized and the number of educational institutions.

This anticipated trend – home children not willing and not wanting to enrol in vocational schools, while migrants are – will give rise not only to human resources problems and issues, but also to cultural and socio-economic issues, and may ultimately lead to the spreading of xenophobia. This could bring about a crisis in multiculturalism, making it necessary to resort to interculturalism, which propounds the need to learn about the cultures of others. Very often, the temporary migrants from the continent to the Adriatic are semi-skilled, did not prepare to work in tourism for their entire lives, and are not capable of rising to the challenges posed by increasingly discerning tourists. This will inevitably have an effect on the quality of services rendered.

In the outlook of Croatian tourism, human resources should be the force capable of addressing global challenges and a kind of "global tsunami". This is a chance for Croatia, a small country, to meet demand by supplying its local ("glocalisation"), specific, one-of-a-kind and indigenous offering, manifested through culture, gastronomy and other typical expressions. The human factorplays a vital role in creating People Added Value (PAV). However, if the staff are not sufficiently familiar with the authentic tourism offering, the delivery of an "identity strategy" is brought into question.

The assertion that human resources temporarily migrate from the continent to areas that account for the greatest share of tourist traffic (75.51% of tourist arrivals and 85.71% of overnights are realized in the period June – September) is supported by data on the monthly distribution of tourist traffic, which highlights the pronounced seasonality of Croatian tourism (Table 18).

Table 18: **Tourist arrivals and overnights by month in 2013**

Month	*Tourist arrivals ('000)*	*%*	*Overnights ('000)*	*%*	*Average number days of stay*
January	108	0.88	277	0.43	2.6
February	135	1.09	311	0.48	2.3
March	261	2.12	681	1.05	2.6
April	549	4.45	1,500	2.31	2.7
May	1,000	8.11	3,800	5.86	4.7
June	1,700	13.78	7,700	11.87	4.6
July	2,915	23.63	18,790	28.97	6.4
August	3,300	26.75	21,400	33.00	6.4
September	1,400	11.35	7,700	11.87	5.3
October	588	4.77	1,800	2.78	3.2
November	209	1.69	508	0.78	2.4
December	170	1.38	387	0.60	2.3
Total	12,441	100.00	64,828	100.00	5.2

Source: Croatian Ministry of Tourism, Tourism in Figures 2013, Zagreb, 2014.

To demonstrate the existence of the paradoxes of sorts mentioned earlier, the following section provides relevant facts that are rarely told to the public or about which the public knows very little:

1. The native language of foreign tourists from the Top Ten tourist generating countries is not English. Despite this, languages other than English are rarely or never taught as the first foreign language in secondary vocational schools (hospitality and tourism schools, hotel management schools) or higher education institutions, which is impermissible. Because guests enjoy it when the staff can speak to them in their native tongues, the languages spoken in countries which generate the most tourists to Croatia should be introduced as first foreign languages in the curricula of vocational schools and institutions of

higher education. Moreover, the introduction of formal and informal teaching of foreign languages spoken in countries that have yet to become a world-scale challenge in tourism demand (Japan, China, India, Brazil, etc.) is proceeding at a sluggish pace or is non-existent.

2. Of the towns and municipalities that boasted the greatest tourist traffic in 2013, ten (with Rovinj in first place) accounted for 26.3% of tourist arrivals and 29.2% of overnights in Croatia in that year. Of the top ten towns and municipalities, seven are located in Istria and accounted for 30% of Croatia's overall tourist traffic. For the sake of comparison, in 2013 Dubrovnik had more tourist arrivals, and Crikvenica more overnights, than all of the 13 continental counties.
3. The seashore of Croatia's islands is 4,058 km long and accounts for as high as 69.5% of the total length of the country's seashore. Of the total number of inhabitants in Croatia (amounting to 4,437,460 in the 2001 census), only 122,418 people (or 2.75%) live on a total of 48 inhabited islands. The islands account for 18.4% and 23.2% of tourist arrivals and overnights, respectively. However, due to poor traffic links outside the summer months,and given the living and working conditions on the islands, lame efforts have been made to encourage investments in the islands, even though the islands have the potential of becoming very interesting areas for future investments in tourism development.
4. Employees (84,000) with jobs in providing accommodation services and preparing and serving food accounted for 6.3% of the total number of employed persons in 2013. It is a fact, however, that the average number of unemployed persons was fairly high that same year and amounted to 30,224.
5. The share of domestic tourists in overall tourist traffic in Croatia has been spiralling downward for the past seven years. Accounting for 16.6% in 2007, the share of domestic tourist arrivals dropped to 11.9% in 2013, while the share of domestic overnights fell from 11.5% in 2007 to 7.9% in 2013. Whereas the share of domestic tourists in total tourist traffic is shrinking in Croatia, in other competitor countries this percentage is much higher: 60% in Italy, 59% in France, 49% in Greece, 46% in Portugal, 39% in Spain, 38% in Slovenia, 30% in Austria, 24% in Turkey, and so on. Reasons for the downward trend in Croatia are found in the facts that the average nett salary is low (in October 2014, it amounted to HRK 5,532.00), the number of unemployed persons is high (on 31 December 2014, there were 316,763 jobless people registered and the unemployment rate was 19.2%), the number of retired persons is high (on 31 December 2014, the number reached 1,223,160), the average pension is low (HRK 2,327.00), and there are many people whose bank accounts are blocked (on 31 December 2014, a total 320,929 people with a total debt of HRK 30.14 billion). In fact, there are more people with frozen bank accounts than there are businesses with frozen bank accounts (52,000), and for the first time ever, the debt of the former exceeded the debt of the latter (which amounted to HRK 29.86 billion). This financially inferior segment of society is simply not in a position to meet one of the two primary criteria for participation in tourist flows (the second is leisure time) because they do not have any spare money they would be willing to spend on tourism. Their inability to take part in tourist flows results in low tourist traffic in the time before and after the high tourist season.
6. Average daily spending per tourist in 2013 amounted to a modest EUR 58. Of that amount, EUR 28.62 (or 49.34%) was spent on accommodation services, while EUR 5.27 (or 9.09%) was spent on food in the facility providing accommodation services. The adverse spending structure suggests that the offering of additional services is lacking and meagre and, consequently, tourists spend less. This fact leads to the conclusion that it is necessary to develop a variety of different forms of additional services in culture, sports, recreation, entertainment, excursions, etc.
7. Of the 28 EU member states, Croatia is ranked second by the rate of Value Added Tax (VAT) which amounts to 25%, while

Hungary is first with 27%. According to the competitiveness indicators of 60 countries (IMD COMPETITIVENESS), Croatia was ranked 59th in 2014, a drop from the 58th place it held in 2013. The indicators point to an adverse global competitive business environment and to the uncompetitiveness of Croatian tourism relative to other competitive receptive tourist countries.

8. Croatia is self-sufficient in the production of only six products to feed its 4.3 million inhabitants. These are grains (maize and wheat), eggs, poultry, olives, wine and tangerines. All other products should be imported to feed its population. Every year Croatia is host to 10 million foreign tourists who could consume at least twice as much as consumed by the domicile population, providing there was enough domestic production to meet that demand. The neglected agriculture (1.2 million hectares of uncultivated farmland) and food manufacturing sectors are one of the crucial reasons for the missing effects from tourism, although for years on end there has been talk that Croatia has all the prerequisites needed to "feed half of Europe".

5. CONCLUSION

The rising share of the tourism sector in Croatia's GDP suggests that tourism is the fastest growing industry in the Croatian economy. For many years the tourism sector has provided jobs to about 6% of the total number of persons employed in Croatia. The slight growth of the share of workers in tourism is a result of the decline in the overall number of employees due to the recession. Total employment in the tourism sector dropped by 5.7% in 2013 relative to 2008, the record-setting year with regard to number of employees.

Tourism in Croatia is largely export oriented. This is evident from the share of foreign overnights in total overnights, which amounts to more than 90%. According to the data of the Croatian National Bank, foreign exchange inflow generated by tourism amounted to EUR 7.2 billion in 2013, accounting for over 37% of total Croatian exports. On the other hand, the fact that Croatian tourism accounts for such a significant share in the country's total exports points to Croatia's weak export basis and its lack of industries strong in commodities exports that could help to reduce Croatia's foreign trade deficit.

The record-setting year for foreign exchange earnings was 2008 when the tourism industry generated EUR 7.5 billion. In the years that followed, tourism-generated foreign exchange earnings declined only to recover again in 2011. Since then foreign exchange earnings in tourism have been growing and approaching the 2008 level.

Tourist traffic in Croatia is strongly centred on the Adriatic region, which is to be expected considering that Croatian tourism is a distinctly summer phenomenon, with the period June-September accounting for 75.5% of tourist arrivals and 85.7% of overnights.

Already in its sixth year, the recession in Croatia has affected almost every sector of the economy with the exception of tourism. After dropping in 2009 and 2010, Croatian tourism began to recover, as is clearly indicated by the growth of physical tourist traffic. Namely, 2013 saw a 15% increase in overnights compared with the pre-crisis year of 2008. Unfortunately, foreign exchange earnings generated by tourism are much slower to recover than the physical indicators of tourist traffic.

Expectations regarding trends in the tourist sector should largely be based on the economic situations in the major outbound tourist markets rather than on the state of the Croatian economy. Considering that the 2015 economic forecasts of the European Commission for the outbound markets most important to Croatian tourism (with the exception of the Italian outbound market) are favourable, both the volume of physical tourist traffic and the amount of tourism-generated foreign exchange earnings are expected to continue to grow.

Considering the forecast for Croatia, it is hardly likely that the number of arrivals and overnights by domestic tourists will increase in the next period. Namely, the Zagreb Institute of Economics predicts a 0.1% drop in personal consumption in 2015, while GDP is expected to grow only by 0.2%.

As set out in the Strategy of Croatian Tourism Development, one of the priorities of futuredevelopment in the tourism sector is to increase the share of hotel accommodations. Accordingly, about EUR 410 million was invested in tourism in 2014, mostly in the hotel industry. The plan by 2020 is to make new investments totalling EUR 7 billion in tourism, especially in the hotel sector, which continues to be the main carrier of investment cycles in tourism.

In conclusion it should be said that tourism is a capital- and labour-intensive industry that requires large investments, while profits are low and many enterprises are struggling with operational profitability. Debunking myths about the exaggerated importance and huge earnings in tourism requires the synergy of all stakeholders in tourism and the rethinking and interpretation of a large number of indicators. By presenting the truths that will shatter the current misconceptions in tourism, they will enable the general public to learn what tourism in Croatia is really about.

Notes

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